

- Determine (a) the total quarterly costs attributable to Medicaid targeted case management via the federally-approved quarterly time study and cost allocation methodology.
- Determine (b) the total number of one-month units of documented Medicaid targeted case management service provided during that quarter.
- Divide (a) total quarterly costs by (b) total Medicaid targeted case management service units to derive the
- Resulting RATE OF A UNIT OF MEDICAID TARGETED CASE MANAGEMENT SERVICE, this rate to be applied to the subsequent quarter's claim.

Claim Development Methodology:

- Multiply the number of units of Medicaid targeted case management service provided during the claim quarter
- by the rate per unit developed during the previous quarter, to obtain the
- Resulting BASIS OF MEDICAID CLAIM for the claim quarter.

Payment Methodology:

Payment will be made on the basis of claims submitted for payment. The provider will bill at the full monthly unit rate for each documented unit of Medicaid targeted case management service provided to each Medicaid-eligible case during the calendar month. The units of Medicaid targeted case management services provided will be documented by the caseworker on the monthly Record of Contact form.

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35. Services by Certified Family and Pediatric Nurse Practitioners

Payment for covered services provided by certified family and pediatric nurse practitioners is limited to the lesser of the actual charge or 85% of the rate reimbursed to a physician for the same service except that payment is made at the same level as physicians for laboratory services, x-ray services, injections, and family planning contraceptive devices, drugs and supplies.

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38. Case Management for High-risk Pregnant Women and High-risk Infants

The department determines rates in the following manner:

1. The department has no cost data from case management services to high risk pregnant women and infants to accurately set reimbursement rates. Since there is no historical cost data from which to establish a rate for this program, the department calculated the initial rates based on the cost and time study data obtained from the approved Medicaid Case Management for Persons with Mental Retardation, currently operating in Texas. The cost and time study data from this program were chosen because of the similar nature of the services that are being delivered. In addition, this program is an on-going concern with available historical cost and time study information. The department will develop a specific reimbursement methodology for high-risk pregnant women and infants, using cost-based prospective rates after the service is implemented. The methodology used is described below:
2. The department collects several different kinds of data. These include the number of direct service minutes and direct service contacts for both face-to-face and telephone case management services. The cost data include salaries and wages, employee benefits and payroll taxes, travel expenses, building expenses, indirect expenses (overhead and administrative costs), and other direct costs.
 - a. Direct server staff time and number of contacts is collected by each of the categories of service that will be reimbursed; telephone and direct face-to-face time. Direct face-to-face time includes travel time.
 - b. Indirect costs (overhead and administrative) include the salaries, benefits, building expenses, utility expenses and other costs that, while not a part of the direct delivery of case management services, constitute costs that support the operations of the program. Other indirect costs include non-salary related costs such as material and supply expenses.

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- c. Each program's allowable costs are allocated between in-person and telephone on the basis of the ratio between telephone and in-person contact times. Costs per provider per type of contact (telephone and direct face-to-face) are adjusted downward by a staff utilization factor for those providers where less than 60% of the case managers' time is spent providing services to clients. The cost per contact of the resulting median provider is determined to be the rate.
3. Rate setting methodology. The department determines the recommended reimbursement rates using the following method:
- a. Cost per contact. Within each type of contact (telephone and face-to-face), the cost is determined by dividing the total costs (adjusted downward by the utilization factor) of case management services by the total number of client contacts.
- b. Projected costs. Reported costs are projected prior to being arrayed. The department uses reasonable methods for projecting costs from the historical reporting period to the prospective rate period. The historical reporting period is the time period covered by the cost report. Cost projections adjust the allowable historical costs for significant changes in cost-related conditions anticipated to occur between the historical reporting period and the prospective rate period. Significant conditions include, but are not necessarily limited to, wage and price inflation or deflation, changes in program utilization and occupancy, modification of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements. The department determines reasonable and appropriate economic adjusters, as described in state regulations, to calculate the projected costs. The Implicit Price Deflator for Personal Consumption Expenditures (IPD-PCE), which is based on data from the U.S. Department of Commerce, is the most general measure of inflation and is applied to most salaries, materials, supplies, and services when other specific inflators are not appropriate. The three payroll tax inflators; FICA (Social Security), FUTA/SUTA (federal and state

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unemployment) and WCI (workers' compensation), are based on data obtained from the Statistical Abstract of the United States, the Texas Employment Commission and the Texas Board of Insurance, respectively. DHS adjusts rates if new legislation, regulations, or economic factors affect costs, as specified in state regulations.

- c. Rate determination. Provider costs, by type of contact (telephone and face-to-face), are arrayed from low to high. The median cost is selected from each type of contact. The department uses the those medians as its recommended state-wide uniform reimbursement rates. Case Management for High Risk Pregnant Women and Infants service rates are payable on a per contact basis, for both telephone and face-to-face services.
4. Rate setting authority. The Texas Board of Human Services establishes the reimbursement rate in an open meeting after consideration of financial and statistical information and public testimony. The board sets rates that, in its opinion, are within budgetary constraints, adequate to reimburse the cost of operations for an economic and efficient provider, and justifiable given current economic conditions.

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39. Case Management Services for Infants and Toddlers with Developmental Disabilities

The department determines rates in the following manner:

1. The department currently has insufficient cost data from case management services for developmentally disabled infants and toddlers to accurately set reimbursement rates. Since there is only partial historical cost data from which to establish a rate for this program, the department calculated the initial rates based on July 1989 cost and time study data used to determine the approved Medicaid Case Management Services for Persons with Mental Retardation, currently operating in Texas, and inflated using appropriate cost infators in subsequent years. The cost and time study data from this program were chosen because of the similar nature of the services that are being delivered. In addition, this program is an on-going concern with available historical cost and time study information. The reimbursement rate will not exceed the median cost of case management services provided by state employees. The department will develop a specific reimbursement methodology, and amend the state plan, for Case Management Services for Developmentally Disabled Infants and Toddlers using cost-based prospective rates after the service is implemented.
2. Rate setting authority. The Texas Board of Human Services establishes the reimbursement rate in an open meeting after consideration of financial and statistical information and public testimony. The board sets rates that, in its opinion, are within budgetary constraints, adequate to reimburse the cost of operations for an economic and efficient provider, and justifiable given current economic conditions.

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40. EPSDT - School Health and Related Services Provided to Handicapped Children under Age 21

The policy and methods to be used in setting payment rates for School Health and Related Services are being explained below:

1. a. The Texas Department of Health (TDH) will reimburse the enrolled providers of School Health and Related Services (SHARS). Reimbursement rates based on updated time and cost data will be determined by TDH at least once every five years for SHARS. These rates are 1) prospective 2) cost related and 3) reflective of cost of efficient service provision. Adjustments will be made for inflation annually as provided in g.
- b. Initial rates have been derived from data collected from 14 school districts and regional education centers.
- c. For subsequent periods, TDH will collect cost data from a representative sample of providers. This data will contain direct costs and indirect costs associated with the delivery of SHARS and general and administrative costs associated with the management of the facility and program.
- d. Further, an initial time study will be conducted to capture the time distribution of service provider staff delivering each of the SHARS. This will include direct contact time with the client, indirect time, time spent on administrative/supervisory activities, and time not related to SHARS. Updates of time study will coincide with the cost report process.
- e. Costs will be assigned to each service episode to reflect the time spent in direct service delivery. Data collected through cost reports and time study will be used to distinguish SHARS related and unrelated costs. Unrelated costs are unallowable costs as defined in item 2 and will be excluded in determining payment rates. General/ administrative/supervisory time or costs (including plan of care administrative costs) that are not related to the delivery of SHARS would also be excluded.
- f. Cost per service may be analyzed by such factors as type and experience of staff delivering the service, environment in which the service is delivered and geographic area to determine the need for multiple rates for a specific service. The intent is to establish a single rate per service type statewide unless analysis demonstrates evidence to do otherwise. If multiple rates are to be established, an amendment to the state plan will be submitted.

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g. Inflation Adjustments.

(i) Cost Report Component Adjustments: Costs captured in the cost report will be adjusted from the cost reporting period to the prospective period in accordance with the general procedures specified in state regulations. The department will use reasonable methods for projecting costs from the historical reporting period to the prospective rate period. The historical reporting period is the time period covered by the cost report. Cost projections will adjust the allowed historical cost for significant changes in cost related conditions anticipated to occur between the historical cost period and the prospective rate period. Significant conditions include, but are not necessarily limited to, wage and price inflation or deflation, changes in program utilization, modification of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements. The department determines reasonable and appropriate economic adjusters, as described in state regulations, to calculate the projected expenses. The Implicit Price Deflator for Personal Consumption Expenditures (IPD-PCE), which is based on data from the U.S. Department of Commerce, is the most general measure of inflation and is applied to most salaries, materials, supplies, and services when other specific inflators are not appropriate. The three payroll tax inflators, FICA (Social Security), FUTA/SUTA (federal and state unemployment) and WCI (worker's compensation) are based on data obtained from the Statistical Abstract of the United States, the Texas Employment Commission and the Texas Board of Insurance, respectively. Rates will be adjusted if new legislation, regulations, or economic factors affect costs, as specified in state regulations.

(ii) SHARS Rates Adjustment: During the years in which cost reports are not collected, the individual SHARS rates will be adjusted annually to account for general inflation. Projections of the IPD-PCE, as described above, shall be used to adjust individual rates.

- h. For each service for which a separate rate is to be set, costs will be arrayed from low to high and a rate approximating the median cost in each service will be selected as the recommended rate for the service. SHARS rates will be based on one hour of service, payable in partial hour increments.
- i. Reimbursement for special transportation services will be based on a rate per round trip.

Of the preceding items, only items 1a, 1c, 1f, inflators from 1g, median cost selection from 1h would apply to special transportation rate development.

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A round trip, for Medicaid billing purposes, is defined as one Medicaid eligible student requiring special transportation services, picked up at home or school, delivered to a location where an approved Medicaid service is provided; and delivered back to home or school. This definition will be consistent with the special transportation description on pages 7d.3 and 7d.4 of Appendix 1 to Attachment 3.1-A and 3.1-B.

Cost per round trip will be calculated as:

Direct Expenditures Plus Indirect Expenditures
Round Trips

Direct transportation expenditure data will be accumulated through a cost reporting system with assistance from the state educational agency, the Texas Education Agency (TEA). Direct special transportation expenditures will include salaries and benefits of attendants and drivers, vehicle maintenance and repairs, garage expenditures, vehicle expenditures including depreciation, interest and insurance and vehicle supply expenditures including fuel.

Indirect expenditures will include expenditures related to overhead. Indirect expenditures will be documented by applying the indirect cost rate to direct expenditures consistent with recognized indirect cost identification methodologies. These meet federally prescribed requirements for documentation of indirect costs in Medicaid programs and the indirect cost allocation principles outlined by OMB Circular A-87.

The school districts will maintain and provide data related to the number of special transportation round trips. These data will include the number of special transportation students transported and the number of days transported.

- j. Providers have the right to notice of exclusions and disallowances made during the conduct of desk reviews or on site audits as specified in §24.401 of the Texas Administrative Code (relating to Notification). Providers may request an informal review and if necessary, an administrative hearing of the action taken by TDH. The relevant procedures are set forth in Texas Administrative Code §24.601 (relating to Reviews and Administrative Hearings).

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2. Unallowable costs are defined as those expenses incurred by a provider or provider agency which are neither directly nor indirectly related to the provision of contracted services according to applicable laws, rules and standards. A provider may expend funds on unallowable cost items, but those costs must not be included in the cost report and they will not be used in calculating a rate recommendation.

3. a. The Texas Department of Health (TDH) will adjust SHARS - reimbursement rates when federal or state laws, rules, regulations, policies, or guidelines are adopted, promulgated, judicially interpreted, or otherwise changed in ways that can reasonable be expected to affect allowable costs or alter the rates of change in allowable costs. TDH will propose adjustments to the rates for these reasons at the nearest feasible meeting of the Texas Board of Health to become effective on the effective date of the federal or state laws, rules, regulations, policies, or guidelines or at the beginning of the nearest calendar quarter for which federal financial participation is available. These adjustments must result in increases or decreases in the department's reimbursement rates.

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- b. TDH may also adjust reimbursement rates when changes in economic factors significantly affect allowable costs. Such changes in economic factors include, but are not limited to, substantial changes in the rate of wage and price inflation that are not discernible in cost report data, increases in the number of participating providers with significantly different costs, increases in the number of clients with significantly different costs and changes in TDH's budgetary capabilities. Except for downward rate adjustments for budgetary reasons, TDH may make midyear rate adjustments only when the necessary adjustments increase or decrease reimbursement rates by more than 2.0%.
- c. TDH would consider all known changes in law, rules, regulations, policies, guidelines, or economic factors at the time of the Texas Board of Health's regular, annual determination of reimbursement rates.
- d. The Texas Board of Health may promulgate downward rate adjustments for budgetary reasons whenever such adjustments are necessary for TDH to operate within the limits of appropriated funds. TDH must ensure that downward rate adjustments do not reduce reimbursement rates below the amount necessary for an economic and efficient provider to operate.

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